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TO: Loren E. Monroe, CPA, Auditor General  
FROM: Irvin Corley, Jr., Fiscal Analysis Director  
DATE: May 4, 2006  
RE: 2006-2007 Budget Analysis

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Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Pamela Scales, Budget Director  
Ron Chenault, Budget Department  
Roger Short, Interim Chief Financial Officer  
Kandia Milton, Mayor's Office

## **Auditor General (50)**

### **FY 2006-2007 Budget Analysis by the Fiscal Analysis Division**

#### **Summary**

The Office of the Auditor General (OAG) is a Legislative General Fund Agency.

The powers and duties of the Auditor General as defined by the City Charter include:

- 1) Make audits of the financial transactions of all city agencies at least once every two (2) years or as otherwise directed by city council.
- 2) Make a full report to the city council of each individual audit and file a copy with the mayor.
- 3) As soon as possible after the close of each fiscal year, make a report of the financial position of the city. The report shall be a public record.
- 4) Investigate the administration and operation of any city agency and report findings and recommendations to the city council and mayor. The auditor general may request and shall be given necessary assistance and information by each agency. The auditor general may subpoena witnesses, administer oaths, take testimony, require the production of evidence relevant to a matter under investigation, enter and inspect premises within the control of any agency during regular business hours.
- 5) From time to time make reports to city agencies of irregularities of practice and erroneous accounting methods with recommendations for improving the accounting procedures and systems of the agencies.
- 6) Upon request of the budget director, make available to the budget director all information useful in the preparation of the capital agenda or annual budget.
- 7) Settle all disputed claims in favor of or against the city to the extent and in the manner provide by ordinance.

The recommended 2006-2007 budgeted appropriations total \$2,646,162 including \$120,633 for the Risk Management Council function. The agency's net tax cost is \$2,396,162, which is a \$211,387 increase in the amount approved for fiscal year 2005-2006.

The budget recommends a net decrease of two positions.

#### **2005-2006 Surplus/(Deficit)**

A surplus of \$453,914 is projected by the Budget Department for the OAG for the current fiscal year ending June 30, 2006. The surplus results from the current level of vacancies in the OAG.

#### **Overtime**

The Mayor's Proposed Budget has \$19,000 budgeted for overtime which is a very slight \$370 increase from the 2005-2006 approved budget. Year-to-date overtime costs thru March 31, 2006 are \$3,326. These costs do not reflect the overtime costs associated

with the budget review process that accounts for the majority of the agency's overtime costs.

### Personnel and Turnover Savings

There are no turnover savings projected for this agency.

Following is information by appropriation comparing budgeted FY 2005-06 positions, March 31, 2006 filled positions and FY 2006-2007 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 3/31/2006</u>	<u>Mayor's Budget Positions FY 2005-07</u>	<u>Over/(Under) Actual to 05/06 Budget</u>	<u>Mayor's Recommended Turnover</u>
<b>Auditor General (50):</b>					
500010 Admin. & General Office	5	5	5	0	\$ -
500020 Auditing-Operations	16	12	14	(4)	\$ -
<b>00261 Auditing Operations</b>	<b>21</b>	<b>17</b>	<b>19</b>	<b>(4)</b>	<b>\$ -</b>
<b>11195 Risk Management Council</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>(2)</b>	<b>\$ -</b>
<b>TOTAL</b>	<b><u>23</u></b>	<b><u>17</u></b>	<b><u>21</u></b>	<b><u>(6)</u></b>	<b><u>\$ -</u></b>

### Proposed Layoffs and Vacant Position Reductions

The 2006-2007 budget indicates vacant position reduction of 2 positions, leaving 4 remaining positions vacant compared to the March 31, 2006 level.

### Vacant Positions Removed

<u>Title</u>	<u>Appropriation</u>	<u>Current Number</u>	<u>Eliminated Number</u>
Manager II – Auditor General	Auditing Operations	2	1
Senior Auditor	Auditing Operations	6	<u>1</u>
<b>Total</b>			<b>2</b>

### Significant Changes in Funding by Appropriation

<u>Appro.</u>	<u>Program</u>	
0261	Auditing Operations	The Mayor's Proposed Budget for this appropriation increased by \$297,514 due to an \$156,331 increase in Salaries, Pension and other Fringe Benefits and a \$140,265 increase in Professional and Contractual Services.

11195 Risk Management Council The Mayor's Proposed Budget for this appropriation decreases \$9,127 due to a decrease in Salaries of \$12,492 and increases in Pensions and other Fringe Benefits of \$4,365.

**Auditor General (50)**

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2005-06 Budget</u>	<u>FY 2006-07 Recommended</u>	<u>Increase (Decrease)</u>
Auditing Operations	<u>\$ 385,735</u>	<u>\$ 526,000</u>	<u>\$ 140,265</u>
<b>Total</b>	<b><u>\$ 385,735</u></b>	<b><u>\$ 526,000</u></b>	<b><u>\$ 140,265</u></b>

Issues and Questions

1. What impact will the reduction of two positions have on your initiative planned for the fiscal year (page 50-2) "to aggressively meet our Charter mandate of auditing every City department biennially."?
2. Explain the Auditor General's office involvement with the production of the Comprehensive Annual Financial Report (CAFR). Each year the administration promises to produce the CAFR in a timely fashion, but it seems each year the CAFR is later and later. Do you have any ideas or suggestions from your vast experience that you could suggest to improve the timing of the production of the CAFR? Could or should the Auditor General's office have an increased level of participation or monitoring rule to ensure a timely CAFR?
3. Apply the above questions to the Single Audit process.
4. You requested an increase of \$318,265 in contractual services for audits, an 82% increase, but the Mayor's recommended only an increase of \$140,265, a 36% increase. Can you indicate what the additional request was based on, and what the result of the reduction in your request will be?
5. Explain the decrease in PLD contract reviews from 71 in 2004-05, to 9 for the current year of 2005-06, and a projection of only 2 for fiscal 2006-07.
6. For revenues in your agency, the Mayor's recommendation shows an increase of \$77,000, from \$173,000 to \$250,000, but your requested level was even greater at \$300,000. What are the sources of your revenue collections, and should Council consider increasing the revenue to your requested amount?
7. What are your plans and priorities in the area of the Risk Management Council?

IC:JGP